

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1110
ANSWERED ON:24.10.2008
NPAS OF COOPERATIVE BANKS
Nikhil Kumar Shri

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has issued guidelines for Non-Performing Assets (NPAs) of Cooperative Banks;
- (b) if so, the details thereof;
- (c) whether NPAs of Cooperative Banks have continuously increased; and
- (d) if so, the steps taken/likely to be taken by the Government to check NPAs of Cooperative Banks in the country?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Yes, Sir. Reserve Bank of India (RBI) had issued initial Guidelines on prudential norms for income recognition, asset classification and provisioning for the State Cooperative Banks (SCBs) and District Central Cooperative Banks (DCCBs) vide their circular dated 22 June 1996. Thereafter, RBI has issued four more Circulars on 10 October, 2000, 27 March, 2002, 30 December, 2002 and 12 July, 2004 on the subject.

As per the Guidelines issued by the RBI, prudential norms for income recognition should be objective and based on record of recovery rather than on any subjective considerations. Likewise, the classification of assets of banks has to be done on the basis of objective criteria, which would ensure a uniform and consistent application of norms based on record of recovery. Accordingly, SCBs/DCCBs are required to classify the advances into

(i) Standard

(ii) Sub-standard

(iii) Doubtful &

(iv) Loss Assets categories and provisioning is required to be made accordingly at 10% on Sub-standard assets, 20 to 100% on Doubtful assets depending upon secured and unsecured status of the advances and at 100% on Loss assets.

(c) & (d) : The status of Non-Performing Assets (NPAs) to loans outstanding in respect of SCBs and DCCBs have shown a decreasing trend over the last three years.

Year-wise details of NPAs for the last three years are as follows-

(Figures in %)
Agency 2004-05 2005-06 2006-07

SCBs 16.4 17.0 14.2
DCCBs 20.1 19.8 18.5